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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE PRESENTATION

BY HAND DELIVERY

August 2, 2001

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th St., S.W.
Washington, DC 20554

Re: CC Docket No. 96-98

Dear Ms. Salas,

On the afternoon of August 1, 2001, Robert A. Curtis, President of Z-Tel Technologies, Inc., and Thomas M. Koutsy, Vice President, Law and Public Policy of Z-Tel, met with Commissioner Kathleen Abernathy and Matthew Brill, the Commissioner's Legal Advisor. We discussed the critical role the nationwide, ubiquitous availability of the unbundled network element platform (UNE-P) plays in Z-Tel's rapid roll-out of its competitive and innovative local services to mass market, residential consumers in over 30 states. We also discussed how the current restriction on the availability of unbundled local switching artificially restricts Z-Tel's ability to address the entire mass market, which includes all residential and small business consumers.

The attached materials were distributed at the meeting. If you need any further information or have any questions, please do not hesitate to contact me.

Sincerely,



Thomas M. Koutsy
Vice President – Law and Public Policy
Tel: (703) 395-7117

Enc.
cc: Commissioner Kathleen Q. Abernathy
Matthew Brill

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The UNE Platform: The Key to Innovative and Sustainable Local Entry

Robert A. Curtis

Thomas M. Kautsky

TEL Comm

August 1999



Investing in Innovation

- Largest start-up, competitive provider of residential local exchange services –
>300,000 residential lines
- Z-Tel believes competition will emerge from innovation in the application layer
- Z-Tel has invested \$100 Million in software applications over the past three years
- Z-Tel has focused on innovating and investing in *new* capabilities, *not* in replicating existing network capabilities

**The UNE Platform
makes it possible**



The Key to Residential/Small Business Competition

- Platform permits *rapid, nationwide* entry
- Z-Tel's services are **now** available...
 - ...in over **30 states**
 - ...to over 2/3 of **all American households** (70MM)
 - ...to over 87% of **all RBOC residential lines**
- Ubiquitous presence is key to building economies of scale needed for mass market

Deployment of Z-Tel's mass market, small business product is directly tied to FCC ULS restriction



Why the Platform?

- Puts Customers First: *An immediate choice* for consumers
- Facilitates blanket, nationwide, ubiquitous coverage
- Allows Z-Tel to bundle dialtone with advanced “application” layer services
 - Not possible with resale, where reseller is restricted to ILEC services
 - Better use of capital than in replicating existing infrastructure



Intelligent Dial Tone: New Z-Tel Applications



Z-Line Web Interface Messaging

https://www2.z-tel.com/operations/messages.jsp?folder=INBOX

Home Help Sign Out

Welcome, Kyle. [Change](#) [Sign In](#)

Direct Number: 813-262-7236 Z-Line™: 813-835-7574 | E-mail: ksbrown@myzline.com

[Messaging](#) • [Calling](#) • [Address Book](#) • [Communities](#) • [Account](#) • [Assistance](#)

Voicemail **INBOX(2)** **SAVED(5)**

[Check for new messages](#)

Options

Voicemail:

Find Me:

Web Dial™:

Tools

Quick Start

Z-Line Companion™

Z Internet Access™

		Play	Callback	From (Click for Options)	Date (EST)
!	<input type="checkbox"/>	▶	813-233-4777	Bill Johnson	10/4/00 2:25 PM
!	<input type="checkbox"/>	▶	714-234-5678	Wilma Kansas	10/4/00 10:25 AM
!	<input type="checkbox"/>	▶	408-222-9897	Charlie Owens	10/4/00 2:25 PM
!	<input type="checkbox"/>	▶	615-789-1243	James Thomas	10/4/00 10:25 AM
!	<input type="checkbox"/>	▶	914-224-8756	Jeff Copper	10/4/00 2:25 PM
!	<input type="checkbox"/>	▶	213-457-9837	Anthony Hill	10/4/00 10:25 AM

[Home](#) • [Log Out](#) • [Contact Us](#) • [Access Numbers](#)

©2000 Z Tel™. All Rights Reserved • [Member Agreement](#)

[Refer Others](#) and Earn \$5 Z-Line™ Credit

[Return to Top](#)

*Listen to voice mail on the web or any phone, reply,
forward or check home voice mail instantly at work.*



Z-Line Web Interface Address Book

https://www2.z-tel.com/operations/addressbook.jsp

Home Help Sign Out

Welcome, Jeff. Change Sign In Direct Number: 813-262-3054 | E-mail: jeff_copper@myzline.com

Messaging • Calling • Address Book • Communities • Account • Assistance

Contacts **Contacts -126 Total**

Pop-up Address Book Import Contacts
Lookup Z-Line Members Add Contacts to Distribution Lists

Display Type * ☐ Business Card ☒ List
Displayed Address * ☐ Business ☒ Home

Options
Voicemail:
Find Me:
Web Dial™:

Tools
Quick Start
Z-Line Companion™
Z Internet Access™

All A B C D E F G H I J K L M N O P Q R S T U V W X Y Z
Page: 1 2 >> of 2

* Non-Z-Line members

A

<input type="checkbox"/> Martha Ager	
<input type="checkbox"/> Brenda Applegarth	813-262-3028
<input type="checkbox"/> Paul Armes	813-262-3916

B

<input type="checkbox"/> Forrest Boushall	813-262-3916
---	--------------



Z-Line Web Interface

Z-Alerts

Strategy.com Weather - Select Services - Netscape

File Edit View Go Communicator Help

Bookmarks Location: <http://home.strategy.com/Weather/Services.asp> What's Related

Back Forward Reload Home Search Netscape Print Security Shop Stop

Instant Message WebMail Radio People Yellow Pages Download Calendar Channels

Z
TEL
Home Help Sign In
Change Sign In

Messaging • Calling • Z-Alerts • Address Book • Communities • Account • Assistance

Powered by
Strategy.com

Welcome Daffy! [Logout](#)
September 14, 2000

[HOME](#) | [NEWS](#) | [FINANCE](#) | [WEATHER](#)

[VIEW REPORTS](#) | [CHOOSE LOCATIONS](#) | [SELECT SERVICES](#) | [HELP](#) | [ABOUT](#)

QUICK FORECAST

[GO](#)

Enter Zip Code or Location

[Daily Update](#)

[Severe Alert](#)

[Personal Alert](#)

[Weekend Update](#)

[Beach Report](#)

[Summary](#)

Select Services

1. Choose a service from the list on the left.
2. Select a communication device you want messages sent to.
3. Check the days and times you want messages and the locations to be included.
4. Click Save when you're done.

Daily Weather Update

[\(Format Service\)](#)

☐ Email ☐ Pager ☐ Mobile ☐ Phone

Days: ☐ Sun ☐ Mon ☐ Tue ☐ Wed ☐ Thu

Time 1: 10:30 A.M.

Time 2:

Locations: Tampa, FL

The Daily Weather Update ([Preview](#)) sends the current conditions, the 24 hour and 5-day forecasts for your chosen locations.

The forecast you want to see:

- on the move, in a pager or cell phone message
- at the office, in an email or fax
- at home, in a phone call.

Document: Done



Further Enhancements

Recent Upgrades

Fax Mail Number & Extension

Fax Number: 813-555-1234
Fax Extension: 300144216

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[Refer Others](#) and Earn
©1999 Z-Tel. All Rights Reserved

● Fax Mail

● Pop Up Address Book

● Palm VII Integration

● Internet Call Waiting

● Email

Microsoft Internet Explorer

Contacts - 18 Total

Close Continuous Contact

Display Types: ☐ Business Card ☒ List
Displayed Address: ☐ Business ☒ Home

All [A](#) [B](#) [C](#) [D](#) [E](#) [F](#) [G](#) [H](#) [I](#) [J](#) [K](#) [L](#) [M](#) [N](#) [O](#) [P](#) [Q](#) [R](#) [S](#) [T](#) [U](#) [V](#) [W](#) [X](#) [Y](#) [Z](#)

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Non-Z-Line members

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Email: kbrown@z-tel.com

myzline.com

Home Contact Us Log Out

Direct Number:
Z-Line:
Access #1: 800-434-4166
Voice Mail:
Find Me:
Web Disk:

Access Numbers Quick Start

Messaging ☒ **Calling** ☐ **Address Book** ☐ **Communications** ☐ **Account** ☐ **Assistance** ☐

Voice Mail | Email/Fax | Notify Me

Messaging Email/Fax

Welcome to the myzline e-mail system

Please take a few moments to enter your details

Your From Name:

Default email reply address:

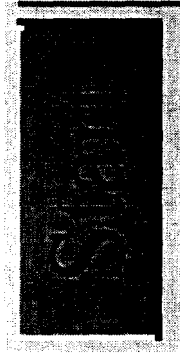
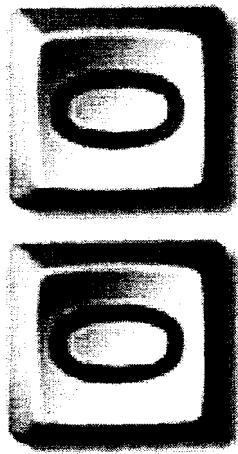
Your Signature:

NetMeeting - Incoming Call

Incoming call from another person...



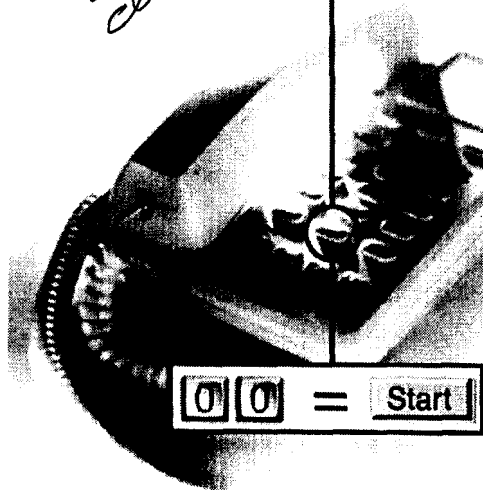
Z-Tel Delivers Intelligent Dial Tone to Any Telephone





Allowing You to Do All This

Social Security checks clearing



Say or Press the following:

- 1 MBNA
- 2 Message Box
- 3 Calling
- 4 Personal Information
- 5 Community Information
- 6 Shopping
- 0 Customer Service

Shopping:

- 1 Expedia
- 2 Amazon
- 3 CarPoint

MBNA:

- 1 Account Balance
- 2 Available Credit
- 3 Transaction History
- 4 Other Services

Message Box:

- 1 Voice Mail
- 2 Fax Mail
- 3 E-Mail
- 4 Instant Messages
- 5 Alerts

Calling:

Personal Information:

- 1 Contacts
- 2 Calendar
- 3 Bulletin Board

Community Information:

- 1 Personal Directory
- 2 Community Directory
- 3 White Pages
- 4 City Search

- 1 Virtual Receptionist
- 2 Contacts
- 3 Calendar
- 4 Account Information

Call

Voice Mail

Fax Mail

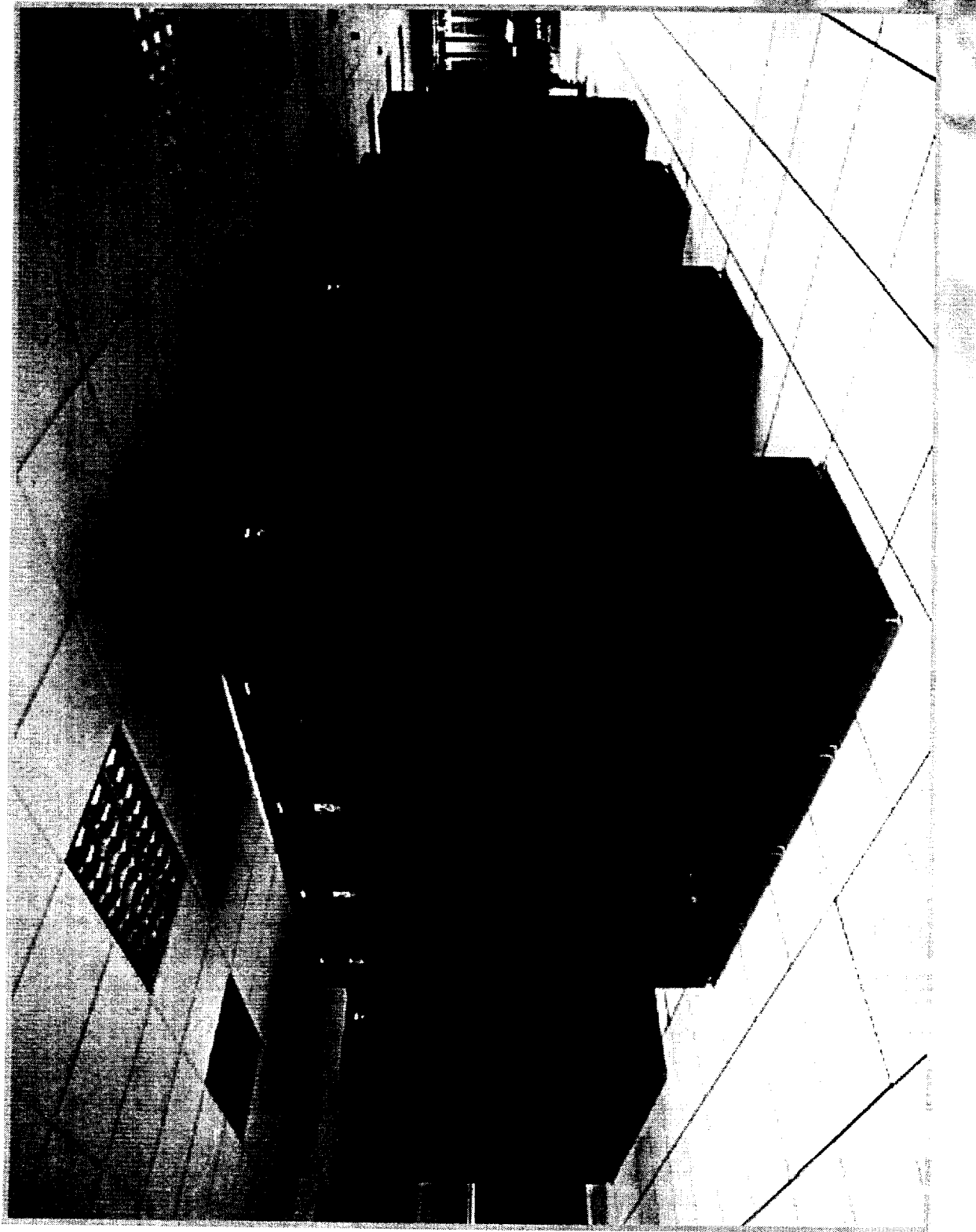
E-Mail

Instant Messages

Page



Z-Tel Switching and Data Center



Handwritten note: *Handwritten text, possibly a signature or initials, written diagonally.*



Residential Bundle



Z-Line Home Edition

THE SMART CHOICE IN LOCAL TELEPHONE SERVICE

- Unlimited Local Calling

- Online Address Book

- Speed Calling

- 200 Minutes of Long Distance

- Broadcast Messaging

- Find Me

- Three Way Calling

- Caller ID

- One Button Call Return

- Voice Mail

- Z-Alerts

Personalized Weather,
Financial Updates ...and More!



*All
residential*

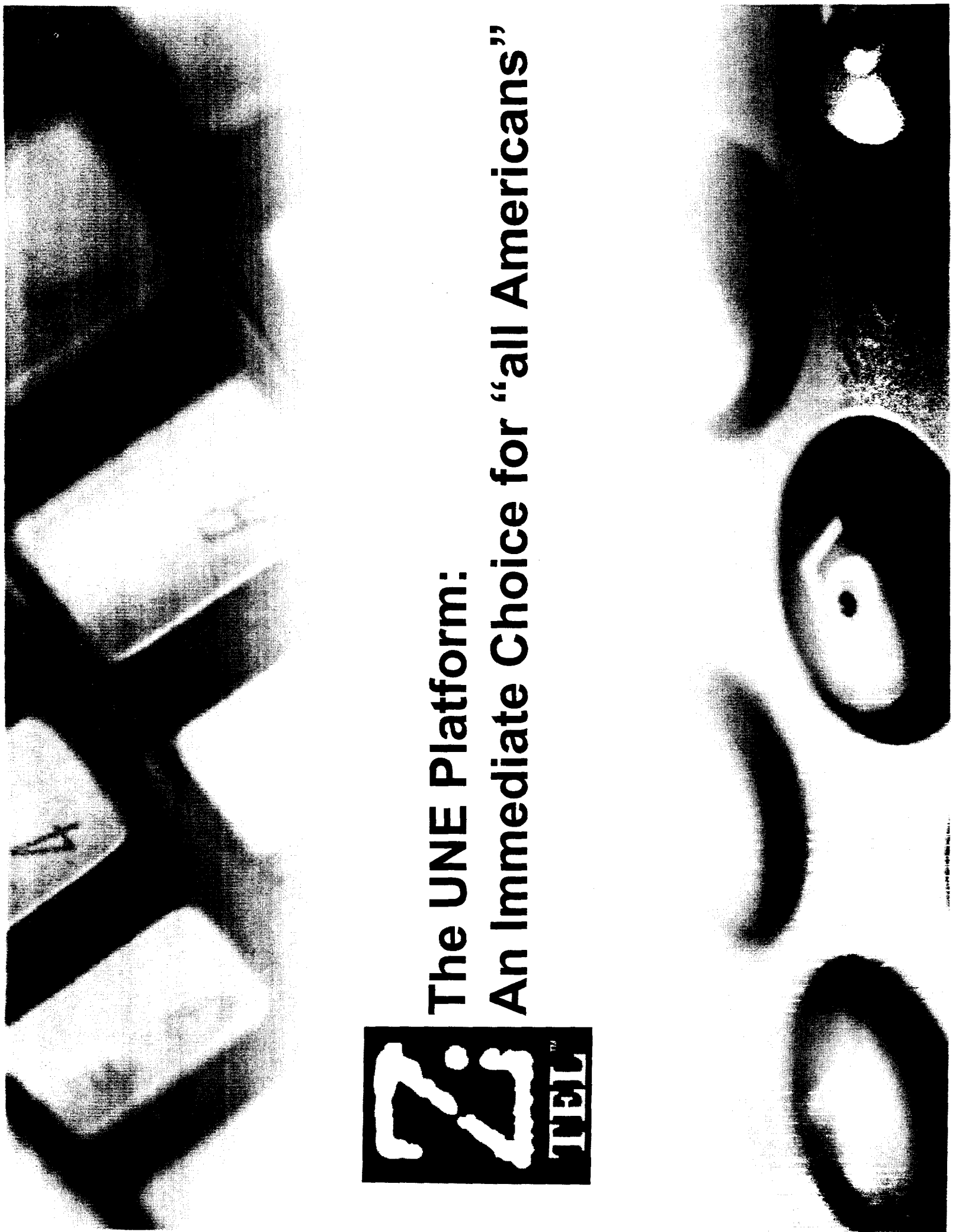


How Home Edition Stacks Up

Monthly Service	Z-Tel™	A Bell Company
Basic Local Phone Service	Included	\$18.25
Local Calling	Included	\$7.50
Long Distance	200 minutes included	\$20.00
Enhanced Phone Features		
Call Forwarding (Find Me)	Included	\$7.50
Caller ID	Included	
Call Waiting	Included	
Speed Calling	Included	
Three-way Calling	Included	\$13.75 (all four features)
Z-Line Special Features		
Voicemail	Free	6.25
Community Group Messaging	Free	Not available
One-button Call Return	Free	Not available
Online Address Book	Free	Not available
E-mail, e-fax	Free	Not available
Z-Alerts	Free	Not available
Total	\$49.99	\$73.25



**The UNE Platform:
An Immediate Choice for "all Americans"**





Platform Means Effective and Efficient Entry

- Allows *immediate* and *ubiquitous* local phone entry
 - Entrant can acquire customers before large capital outlay
 - Replicate experience in long-distance industry
 - Acquire customers, experience, build national footprint
- Entrants can combine features and functions of dialtone with innovative and advanced services
- Entrants can focus efforts on providing *better* and *innovative* new services
- Lowers entry costs = Quicker positive cash flow
- Stimulus for subsequent, non-incumbent facilities – just as equal access rules led to building of new long-distance networks



Platform Drives Innovation

The Application Layer is Key to Telecom Innovation

- Z-Tel has invested over \$100MM in Software Development and Infrastructure
- Allows Z-Tel to Focus on Software and Applications
 - Create Superset of Incumbent Service Offering
 - Do not duplicate Investment in Antiquated Network
 - Tight Software Integration with PSTN
- Resale Alone Stifles Innovation and Investment
 - Precludes Required Integration with PSTN
 - Dooms Service Offering to Subset of ILEC Service
- CLECs have limited capital to deploy – where is investment most in the public interest?



Platform Brings Competition to Mass Market Customers

- Residential/small business “Mass Market” (less than DS1) a separate market
 - Recognized by FCC repeatedly in the *LEC Classification* and common carrier merger orders
 - Same market definition must apply for 251(d) Necessary/Impair analysis
- Entry into “Mass Market” Requires Ubiquitous Presence
 - Newspaper, Broadcast, Radio, Billboard Advertising Depends on Ubiquity
 - Entrant cannot efficiently select to serve some customers, but not others
 - True of both residential and small business service
- Mass Market Entry Requires Efficient Provisioning Processes
 - Mass Market entrant must be able to provision electronically, not manually
 - Ubiquitous, Mass Market entry means more than blanket collocation – it also means the ability to handle Mass Market volumes
- Only the Platform offers the immediate, ubiquitous and robust CLEC presence in entire ILEC service area
- *But the ULS line restriction prevents entrants like Z-Tel from serving the entire Mass Market*



The PACE Proposal Makes Sense

ULS Should be Available up to the DS1 level to any customer

- Availability by reference to customer demand is appropriate
 - Product markets are defined by reference to customer demand
 - Telecom entry is about *serving customers* – not about preserving or choosing particular CLEC business plans
 - Different customers have different telecom network needs
- DS1 (16-20) line is based on sound telecom engineering
 - ILECs developed DS1 circuits to find a more-efficient means of providing the different functionality, requirements and needs for those customers
 - PACE shows clear break-point for ULS v. DS1, based on provisioning costs
 - CLECs like Birch that own circuit switches and sell UNE-P in same market utilize circuit switching for customers with DS1 and above
- No disincentive to deploy facilities
 - NY, TX and IL do not have *any* ULS restriction: have CLECs stopped deploying switches there?
 - Many CLECs deploy switches simultaneously with UNE-P roll-out
 - TELRIC pricing



A DS1 Cut-Off is Defendable

- Commission's decision must be based on sound legal, policy, engineering *and* economic grounds
- DS1 line based on sound telecom engineering and economics
 - ULS restriction forces manual provisioning to serve mass market customers
 - ILEC networks designed to treat DS1 customers "differently" than customers that order DS0s
- Alternative Proposals Risk Legal Challenge
 - "Designer UNE-P"
 - Designed to ensure that the proposal continues to have UNE-P while its competitors do not (Broadview)
 - Writing a rule based on one CLEC business plan is definition of "arbitrary"
 - "Use" Restrictions (e.g., residential/business)
 - Residential/SMB split ignores FCC precedent
 - Does not reflect current use of UNE-P
 - Administratively impossible to enforce; fosters ILEC gamesmanship



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